

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2554 - SB 2415

March 2, 2012

SUMMARY OF BILL: Effective January 1, 2012, increases, from \$24,000 to \$26,500, the maximum annual income limit for elderly low-income and disabled property taxpayers, for the purpose of qualifying for property tax relief, in tax year 2012 and subsequent tax years.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures - \$616,800/FY12-13 and subsequent years

Other Fiscal Impact – There is a potential recurring decrease in local government expenditures. However, any such impact is dependent upon several unknown factors. As a result, a precise estimate cannot be quantified with reasonable certainty.

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-5-702(a)(1) and § 67-5-703(a)(1), property tax relief payments to elderly low-income and disabled property taxpayers shall be paid from the general funds of the state to qualifying taxpayers.
- The annual income limit set in 2007 was \$24,000, and pursuant to Tenn. Code Ann. § 67-5-703 (a)(2), the income limit shall be adjusted each tax year to reflect the cost of living adjustment for social security recipients.
- According to the Comptroller of the Treasury, the current income limit for tax year 2012 is \$27,800. This reflects the current income limit of \$24,000 set in statute plus a \$3,800 cost-of-living adjustment set in the general appropriations act. As a result, this bill will have the effect of reducing the income limit for tax year 2012 by \$1,300 (\$27,800 - \$26,500).
- According to the Comptroller, at the current \$27,800 income limit, there will be approximately 95,411 elderly and disabled recipients of property tax relief with an average payment of \$187.65. As a result, the total payout from the General Fund for tax year 2012 is currently estimated to be \$17,903,874 (95,411 x \$187.65).
- According to the Comptroller, at the reduced \$26,500 income limit, there will be approximately 92,124 elderly and disabled recipients of property tax relief with an average payment of \$187.65. As a result, the total recurring payout from the General Fund for tax year 2012 will be approximately \$17,287,069 (92,124 x \$187.65).
- The total decrease in state expenditures from the General Fund for FY12-13 is estimated to be \$616,805 (\$17,903,874 - \$17,287,069).

- The income limits in future years after annual cost-of-living adjustments will be less than what they would be under current law because future cost-of-living adjustments will be based from the proposed \$26,500 income limit, instead of based from the current \$27,800 income limit. As a result, it is assumed the income limits will remain approximately \$1,300 lower than what they would have been under current law for 2013 and subsequent years. Therefore, the recurring decrease in state expenditures from the General Fund is estimated to be \$616,805.
- According to the Comptroller, property taxpayers that qualify for property tax relief from the state generally qualify for local property tax relief. As a result, there could be a decrease in local expenditures as a result of this bill. However, any such impact is dependent upon the jurisdictions that have adopted local property tax relief programs and whether the income limits for each is set above the proposed \$26,500 limit. Given this unknown, a precise fiscal estimate cannot be determined with reasonable certainty.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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